



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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February 15, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **CHILDREN'S INSTITUTE, INC. – A DEPARTMENT OF MENTAL
HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CONTRACT SERVICE PROVIDER – CONTRACT COMPLIANCE
REVIEW – FISCAL YEARS 2009-10 AND 2010-11**

We completed a contract compliance review of Children's Institute, Inc. (Children's Institute or Agency). Our review covered a sample of transactions from Fiscal Years (FY) 2009-10 and 2010-11. The Department of Mental Health (DMH) contracts with Children's Institute to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans. The Department of Children and Family Services (DCFS) also contracts with Children's Institute to provide Wraparound Approach Services (Wraparound) and Family Preservation (FP) Program services. The Wraparound Program provides services to children and their families, including therapy, housing, education, and social assistance. The FP Program provides services to children and families including support, intervention, transitional, and maintenance services.

The purpose of our review was to determine whether Children's Institute provided services in accordance with their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State, and County guidelines.

DMH had two cost-reimbursement contracts with Children's Institute, and paid the Agency approximately \$30.6 million from July 2009 to May 2011. DCFS had three fee-for-service contracts with Children's Institute, and paid the Agency approximately \$5.7 million from May 2009 to March 2011. The Agency provides services in the Second and Fourth Supervisorial Districts.

Results of Review

DMH Program Review

Children's Institute maintained adequate documentation to support the billed service minutes and service days. However, the Agency did not always maintain signed Informed Consent forms or Court Authorizations as required by their DMH contract. Specifically, Children's Institute:

- Did not have current Informed Consent forms for two (33%) of the six clients who received treatment with psychotropic medication. A similar finding was also noted in our prior monitoring review.
- Prescribed and administered psychotropic medication without obtaining court authorizations as required by the DMH contract for the two (100%) court dependent clients reviewed.

In their attached response, Children's Institute indicated that they informed their psychiatrists to maintain current Informed Consent forms, and obtain court authorizations for clients who receive psychotropic medications.

DMH Wraparound and FP Fiscal and Administrative Review

Children's Institute did not reserve excess Wraparound Program funds, totaling \$2,961, for future Program expenditures, and charged \$180,015 in questioned costs to DMH, Wraparound, and FP. Specifically, Children's Institute:

- Did not allocate shared expenditures as required by the Agency's Cost Allocation Plan, or maintain adequate documentation to support the expenditure allocations. Questioned costs totaled \$37,190.

After our review, Children's Institute placed the \$2,961 in excess Wraparound Program funds into a reserve account. The Agency also provided additional documentation to show that \$29,976 in shared expenditures were reallocated on an equitable basis among benefitting programs, and that they reduced their expenditures by \$7,214 for the unsupported allocations.

- Did not monitor their subcontractors, or require their subcontractors to submit their payroll and other accounting records to support their DMH and DCFS billings as required by Auditor-Controller Contract Accounting and Administration Handbook Sections A.3.2 and A.4.0. Questioned costs totaled \$140,657.

After our review, Children's Institute obtained additional documents from the subcontractors to support the \$140,657 in billings.

- Incorrectly recorded a \$2,168 pension refund for a terminated employee as an expense in their DMH FY 2010-11 general ledger.

After our review, Children's Institute adjusted the terminated employee's pension refund in their accounting records.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Children's Institute, DMH, and DCFS. Children's Institute's attached response indicates they re-allocated, provided documentation, or reduced their expenditures for all questioned costs.

We thank Children's Institute for their cooperation and assistance during our review. Please contact me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Phillip Browning, Interim Director, Department of Children and Family Services
Mary Emmons, President and CEO, Children's Institute, Inc.
Charles P. Diamond, Chairman, Board of Trustee, Children's Institute, Inc.
Public Information Office
Audit Committee

**CHILDREN'S INSTITUTE, INC.
DEPARTMENT OF MENTAL HEALTH, WRAPAROUND AND FAMILY
PRESERVATION PROGRAMS CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2009-10 AND 2010-11**

BILLED SERVICES

Objective

Determine whether Children's Institute, Inc. (Children's Institute or Agency) provided the services billed in accordance with their Department of Mental Health (DMH) contract.

Verification

We selected 50 billings, totaling 5,496 minutes, from 715,182 service minutes and ten full-day billings from 452 services days of approved Medi-Cal billings from August and September 2010, which were the most current billings available at the time of our review in June 2011. We reviewed the Assessments, Client Care Plans, Progress Notes, and Weekly Summaries in the clients' charts for the selected billings. The 5,496 minutes and ten days represent services to 25 clients. We also traced an additional 103 service days billed for the Day Treatment Intensive (DTI) Program to the client attendance sheets.

Results

Children's Institute maintained adequate documentation to support the billed service minutes and service days. However, the Agency did not always complete all the elements of the Progress Notes, or maintain signed Informed Consent forms or Court Authorizations as required by their DMH contract.

Progress Notes

Children's Institute did not complete six (12%) of the 50 Progress Notes reviewed in accordance with the DMH Contract. Specifically, Children's Institute did not:

- Describe what the clients or service staff attempted and/or accomplished towards the clients' goals for three (6%) of the 50 progress notes reviewed. A similar finding was also noted during our prior monitoring review.
- Document in the clients' files whether the clients experienced any side effects from their medications, what the clients' responses to the medications were, or whether the client took the medication as prescribed for three (6%) of the 50 Progress Notes reviewed.

Informed Consent Forms

Children's Institute did not maintain current Informed Consent forms for two (33%) of the six clients who received treatment with psychotropic medication. Informed Consent forms document the clients' agreement to a proposed course of treatment based on receiving clear, understandable information about the treatments' potential benefits and risks. A similar finding was also noted during our prior monitoring review.

Court Authorization

Children's Institute prescribed and administered psychotropic medication without obtaining the required court authorizations for the two (100%) court dependent clients reviewed.

Recommendations**Children's Institute management:**

- 1. Ensure that Progress Notes are completed in accordance with the DMH Contract.**
- 2. Ensure that annual Informed Consent Forms are obtained and maintained in the clients' files.**
- 3. Ensure that Court Authorizations are obtained when prescribing and/or administering psychotropic medication to dependent wards of the Court.**

STAFFING LEVELS**Objective**

Determine whether the Agency maintained the appropriate staff to client ratio of 1:8 in their DMH DTI Program as required by California Code of Regulations Title 9, Section 1840.350.

Verification

We reviewed staff timecards, staff attendance sheets, and client sign-in sheets for ten days in August and September 2010.

Results

The Agency maintained the required staff to client ratio.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether Children's Institute's treatment staff had the required qualifications to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website, and/or the personnel files, for 21 of the 381 Children's Institute's treatment staff who provided services to DMH clients during August and September 2010.

Results

Each employee reviewed had the qualifications required to provide mental health services.

Recommendation

None.

UNSPENT WRAPAROUND REVENUE

Objective

Determine whether Children's Institute retained unspent revenue in a reserve account for future Department of Children and Family Services (DCFS) Wraparound Program expenditures.

Verification

We compared the Agency's total revenue received from DCFS' payment listing to the Agency's Wraparound Program expenditures recorded in the Agency's accounting records for the Contract Year (CY) ending April 2010.

Results

Children's Institute did not reserve excess funds, totaling \$2,961 for CY 2009-10, for future Wraparound Program expenditures as required by DCFS contract Section 7.7.2.1.

Recommendation

4. Children's Institute management ensure that excess funds are placed in a reserve account for future Wraparound Program expenditures.

After our review, Children's Institute placed the \$2,961 in excess funds into a reserve account for future Wraparound Program expenditures.

CASH/REVENUE**Objective**

Determine whether the Agency deposited cash receipts timely, and recorded revenue properly in the Agency's records.

Verification

We interviewed Children's Institute's management, and reviewed their accounting records. We also reviewed the Agency's bank activity for April 2011.

Results

Children's Institute deposited payments timely, and recorded revenue properly.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether Children's Institute prepared its Cost Allocation Plan in compliance with the County contract, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management, and reviewed 78 shared expenditures, totaling \$154,960, to ensure that the expenditures were appropriately allocated to the DMH and DCFS Programs for Fiscal Years (FY) 2009-10 and 2010-11.

Results

Children's Institute's Cost Allocation Plan was prepared in compliance with their County contract. However, the Agency did not allocate shared expenditures as required by the

Agency's Cost Allocation Plan, and/or maintain adequate documentation to support the expenditure allocations. Questioned costs totaled \$37,190 (\$18,070 for DCFS Family Preservation, \$17,481 for DMH, and \$1,639 for DCFS Wraparound Programs). Specifically, Children's Institute:

- Allocated FY 2010-11 shared administrative costs based on the budgeted number of employees, not the actual number of employees as required by the Agency's Cost Allocation Plan. Questioned costs totaled \$29,346 (\$17,617 for DCFS Family Preservation and \$11,729 for DMH Programs).
- Inappropriately included investment consultant costs in their shared administrative costs in FY 2010-11. Questioned costs totaled \$6,286 (\$5,122 for DMH, \$711 for DCFS Wraparound and \$453 for DCFS Family Preservation Programs).

After our review, Children's Institute adjusted their accounting records to exclude investment consultant costs from their shared administrative costs.

- Allocated shared administrative costs before year-end adjustments were made for the DCFS Wraparound Program. Questioned costs totaled \$928 for CY 2010-11.
- Did not allocate depreciation expenses on an equitable basis among all benefitting programs in FY 2010-11. Questioned costs totaled \$630 for the DMH Program.

After our review, Children's Institute reallocated shared administrative costs of \$29,346, and depreciation costs of \$630 on an equitable basis among all benefitting programs as required, and reduced DCFS Wraparound Program expenditures by \$928 for FY 2010-11.

Recommendations

Children's Institute management:

5. **Ensure that shared expenditures are allocated as required by the Agency's Cost Allocation Plan.**
6. **Ensure that shared expenditures are allowable and are allocated on equitable basis among all benefitting programs based on actual conditions.**
7. **Ensure shared administrative costs are allocated after final year-end adjustments are made in order to avoid over or under charging programs.**

EXPENDITURES

Objective

Determine whether Program-related expenditures were allowable under the contracts, documented properly and billed accurately.

Verification

We interviewed Agency personnel, and reviewed accounting records and documentation to support 89 expenditure transactions billed to DMH and DCFS Programs between December 2009 and April 2011, totaling \$589,585.

Results

As previously noted, Children's Institute did not allocate shared program expenditures as required by the Agency's Cost Allocation Plan, and/or maintain adequate documentation to support the expenditure allocations.

Children's Institute also did not monitor their subcontractors, or require their subcontractors to submit their payroll and other accounting records to support their DMH and DCFS subcontractors' billings as required by Auditor-Controller Contract Accounting and Administration Handbook Sections A.3.2 and A.4.0. Questioned costs totaled \$140,657 (\$97,265 for DMH and \$14,599 for DCFS Family Preservation Programs in FY 2010-11; \$28,793 for DCFS Family Preservation Program in FY 2009-10). In addition, Children's Institute inappropriately recorded a \$2,168 pension refund for a terminated employee as an expense in their DMH FY 2010-11 general ledger.

After our review, Children's Institute obtained additional documents from the subcontractors to support their billings of \$140,657 for FY 2009-10 and 2010-11, and adjusted the terminated employee's pension refund in their accounting records.

Recommendations

Children's Institute management:

- 8. Ensure subcontractors are monitored to ensure that the expenditures billed are adequately supported by source documentation.**
- 9. Ensure expenditures are accurately recorded in the Agency's accounting records.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with County funds were used for the appropriate programs and were safeguarded. In addition, determine whether fixed asset depreciation expense charged to the DMH and DCFS Programs were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed the Agency personnel, and reviewed the Agency's fixed assets and equipment inventory listing. We performed an inventory, and reviewed the usage of 30 items purchased with County funds. In addition, we reviewed the depreciation expense charged to DMH and DCFS Programs, totaling \$38,445, between May 2010 and April 2011.

Results

Children's Institute used the equipment and fixed assets purchased with County funds for the DMH and DCFS Programs, and the assets were safeguarded. However, as previously indicated, Children's Institute did not allocate depreciation expense on an equitable basis among all benefitting programs as required.

After our review, Children's Institute reallocated depreciation costs on an equitable basis among all benefitting programs as required.

Recommendation

Refer to Recommendation 6.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to DMH and DCFS Programs. In addition, determine whether the Agency had personnel files as required.

Verification

We traced the payroll expenditures for 30 direct program employees and five indirect administrative employees, totaling \$209,265, for April 2011 to the Agency's payroll records and time reports. We also reviewed employees' personnel files.

Results

Children's Institute appropriately charged payroll expenditures to the DMH and DCFS Programs. In addition, the Agency maintained their personnel files as required by the County contracts.

Recommendation

None.

COST REPORTS**Objective**

Determine whether Children's Institute's Cost Reports for the DMH Programs reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2009-10 DMH Cost Reports to the Agency's accounting records. We also reviewed a sample of DMH Program expenditures incurred from July 2009 to June 2010. The Wraparound Program and Family Preservation Programs do not require a Cost Report to be submitted to DCFS.

Results

Children's Institute's total expenditures reported on their DMH Cost Reports reconciled to the Agency's accounting records.

Recommendation

None.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior Auditor-Controller monitoring review.

Verification

We verified whether Children's Institute had implemented the eight outstanding recommendations from FY 2007-08 monitoring review. The report was issued on January 27, 2009.

Results

Children's Institute did not implement two (25%) of the eight recommendations contained in the prior monitoring report. As previously indicated, the outstanding findings are related to Recommendations 1 and 2 in this report.

Recommendation

- 10. Children's Institute management implement the outstanding recommendations from the prior monitoring report.**



children's institute, inc.
safe children, strong families, healthy communities

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October 28, 2011

Wendy L. Watanabe, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071
ATTN: Iscah Wang

Re: Children's Institute, Inc. – DMH and DCFS Contract Compliance Review for Period July 1, 2009 to June 30, 2011 -- Corrective Action Plan

Dear Ms. Watanabe:

Attached please find the formal response/corrective action plan from the Children's Institute, Inc. in response to the County of Los Angeles Department of Auditor-Controller Final Draft report dated October 20, 2011.

Children's Institute appreciates the Auditor-Controller's comprehensive review and professional approach of County staff in conducting the review.

CII believes the report reflects the great value of CII's program services delivered to children and families in Los Angeles.

Please feel free to contact me at (213) 260-7683 should you have any questions or concerns.

Best regards,

Mark Engel
VP of Finance and CFO
Children's Institute, Inc.



CHILDREN'S INSTITUTE, INC.
DEPARTMENT OF MENTAL HEALTH, WRAPAROUND AND FAMILY
PRESERVATION PROGRAMS CONTRACT COMPLIANCE REVIEW
CONDUCTED FISCAL YEAR 2010-11 FOR AUDIT PERIOD
FYS JULY 1, 2009 TO JUNE 30, 2011

CORRECTIVE ACTION PLAN

BILLED SERVICES (Fiscal Year July 1, 2009 to June 2011)

Objective

Determine whether Children's Institute Inc. (CII) provided the services billed in accordance with their County contract with the Department of Mental Health.

Auditor Controller Results

CII maintained adequate documentation to support the billed service minutes and service days. However, the Agency did not always complete all the elements of the Progress Notes, or maintain signed Informed Consent forms or Court Authorizations as required by their DMH contract. Specifically:

Progress Notes

CII did not complete six (12%) of the 50 progress notes reviewed in accordance with the DMH contract. Specifically, CII did not:

- *Describe what the clients or service staff attempted and/or accomplished towards the clients' goals for three (6%) of the 50 progress notes reviewed. A similar finding was also noted during the prior monitoring review.*
- *Document in the clients' files whether the clients experienced any side effects from their medications, what the clients' responses were to the medications, or whether the client took the medication as prescribed for three (6%) of the 50 progress notes reviewed.*

Recommendation 1:

Ensure that progress notes are completed in accordance with the DMH Contract.

CII Response

A chart documentation manual was developed by the Clinical QA/QI Team and is used as the primary tool for conducting monthly staff trainings specific to and in accordance with the DMH chart requirements. Trainings are held monthly at all of our CII locations and attended by our clinical staff. The manual specifies that progress notes are to include what the client or service staff attempted and/or accomplished towards the client's goals. In addition to trainings and the manual, the Clinical QA/QI coordinators at each of our sites review a random sample of notes to ensure contract and clinical standards. As a means of ongoing communication regarding DMH charting requirements, the Clinical QA/QI Team distribute QI Mandatory Tips to all clinical staff informing them of the chart documentation requirements.

The psychiatrists were informed of the requirements regarding progress notes and the need to chart if the client experienced any side effects from their medications, what the client's response was to the medication, and whether or not the client took the medication as prescribed. As a follow-up to ensuring appropriate charting, the Regional Directors at each site will review the medication support progress notes of the psychiatrists based at their site to ensure compliance. During random sampling of charts, the Clinical QA/QI Coordinator at each site will also review the medication support progress notes to ensure compliance.

Timeframe for Implementing Reported Recommendations

- Chart Documentation Manual was completed in September, 2011.
- Staff documentation trainings began on September 14, 2011 and are conducted monthly on a weekly basis.
- QI Mandatory Tips to ensure progress notes are completed in accordance with DMH contract will be distributed November 1, 2011.
- Random selection of charts to be reviewed is ongoing.
- Regional Directors reviewing psychiatrist's notes is ongoing.

Informed Consent Forms

CII did not maintain current informed consent forms for two (33%) of the six clients who received treatment with psychotropic medication. Informed consent forms document the clients' agreement to a proposed course of treatment based on receiving clear, understandable information about the treatments' potential benefits and risks. A similar finding was also noted during the prior monitoring review.

Recommendation 2:

Ensure that annual Informed Consent forms are obtained and maintained in the clients' files.

CII Response

The psychiatrists were informed of the requirement to maintain current informed consent forms for clients receiving treatment with psychotropic medication. During the random sampling of charts, the Clinical QA/QI Coordinators at each site will review the informed consents to ensure maintenance.

Timeframe for Implementing Reported Recommendations

- QI Mandatory Tip was sent to the psychiatrists on June 29, 2011.
- Random selection of charts to be reviewed is ongoing.

Court Authorization

CII prescribed and administered psychotropic medication without obtaining court authorizations as required by the DMH contract for the two (100%) court dependent clients sampled.

Recommendation 3:

Ensure that Court Authorizations are obtained when prescribing and/or administering psychotropic medication to dependent wards of the Courts.

CII Response

The psychiatrists were informed of the requirement to obtain court authorizations prior to prescribing and/or administering psychotropic medications to dependent wards of the courts. The care coordinator providing support to the psychiatrist will maintain a log that tracks each client's renewal date for obtaining court authorization for continued psychotropic medications.

Timeframe for Implementing Reported Recommendations

- QI Mandatory Tip was distributed to psychiatrists on June 29, 2011.
- Psychotropic medication tracking log will be implemented on November 4, 2011.

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staff to client ration of 1:8 in their DMH Day Treatment Intensive (DTI) Program as required by Title 9, Section 1840.350 of the California Code of Regulations.

Auditor Controller Results

The Agency maintained the required staff to client ratio.

No Recommendation

STAFFING QUALIFICATIONS

Objective

Determine whether CII's treatment staff had the required authorizations to provide mental health services.

Auditor Controller Results

Each employee in our sample had the qualifications required to provide mental health services.

No Recommendation

UNSPENT WRAPAROUND REVENUE

Objective

Determine whether Children's Institute, Inc. (CII) retained unspent revenue in a reserve account for future Department of Children and Family Services (DCFS) Wraparound Program expenditures.

Auditor Controller Results

CII did not reserve excess funds, totaling \$2,961 for contract year 2009-2010 for future Wraparound Program expenditures as required by Section 7.7.2.1 of the DCFS contract.

- *After our review, Children's Institute, Inc. set up a reserve account for excess funds of \$2,961 for future Wraparound expenditures.*

Recommendation 4:

Ensure that excess funds are placed in a reserve account for future Wraparound Program Expenditures.

CII Response

Children's Institute, Inc. (CII) will strengthen the contract analysis process to assure that any funds remaining from DCFS Wraparound program payments in excess of recorded expenses will be recorded and placed into a reserve account for future Wraparound program expenses.

Timeframe

Implemented effective October 1, 2011.

COST ALLOCATION PLAN

Objective

Determine whether Children's Institute, Inc. (CII) prepared its Cost Allocation Plan in compliance with the County contract, and used the Plan to allocate shared Program costs appropriately.

Auditor Controller Results

Children's Institute, Inc.'s Cost Allocation Plan was prepared in compliance with their County contract. However, the Agency did not allocate shared expenditures as required by the Agency's Cost Allocation Plan and/or maintain adequate documentation to support the expenditure allocations. Questioned costs totaled \$37,190 (\$18,070 for DCFS Family Preservation, \$17,481 for DMH and \$1,639 for DCFS Wraparound Programs).

Specifically, Children's Institute, Inc.:

- Allocated FY 2010-11 shared administrative costs based on the budgeted number of employees, not the actual number of employees as required by the Agency's Cost Allocation Plan. Questioned costs totaled \$29,346 (\$17,617 for DCFS Family Preservation and \$11,729 for DMH Programs).
- Inappropriately included investment consultant costs in their shared administrative costs in FY 2010-11. Questioned costs totaled \$6,286 (\$5,122 for DMH, \$711 for DCFS Wraparound and \$453 for DCFS Family Preservation Programs).
- *After our review, Children's Institute, Inc. adjusted their accounting records to reflect the exclusion of the investment consultant costs from their shared administrative costs.*

- Allocated shared administrative costs before year-end adjustments were made for the DCFS Wraparound Program. Questioned costs totaled \$928 for Contract Year (CY) 2010-11.
- Did not allocate depreciation expenses on an equitable basis to benefitting Programs in FY 2010-11. Question costs totaled \$630 for the DMH Program.
- *After our review, Children's Institute, Inc. reallocated shared administrative costs of \$29,346 and depreciation costs of \$630 on an equitable basis to benefitting programs as required and reduced DCFS Wraparound Program expenditures by \$928 for FY 2010-11.*

Recommendation 5:

Ensure that shared expenditures are allocated as required by the Agency's Cost Allocation Plan.

CII Response

Children's Institute, Inc. (CII) will strengthen its periodic quality control and review process in order to assure that allocation of shared expenditures to programs is consistent with the Agency's Cost Allocation Plan procedure, and thereby minimize the potential for exceptions or deviations.

Timeframe

Implemented effective October 1, 2011.

Recommendation 6:

Ensure that shared expenditures are allowable and are allocated on equitable basis to all benefitting programs based on actual conditions.

CII Response

Children's Institute, Inc. (CII) will strengthen its quality control and review process in order to assure that allocation of shared expenditures to programs is consistent with the Agency's Cost Allocation Plan procedures, are verified to be allowable, and are allocated on an equitable basis to all benefitting programs based on actual conditions in a program (e.g. actual number of staff, actual personnel cost, or actual square footage utilized).

Timeframe

Effective January 1, 2012.

Recommendation 7:

Ensure shared administrative costs are allocated after final year-end adjustments are made in order to avoid over-/under-charging of Programs.

CII Response

Children's Institute, Inc. (CII) will strengthen its Allocated Cost review process in order to assure that allocation of shared expenditures to programs is appropriately applied to final year-end adjusted program expenses.

Timeframe

Effective June 30, 2012.

EXPENDITURES

Objective

Determine whether program-related expenditures were allowable under the contracts, documented properly and billed accurately.

Auditor Controller Results

As previously indicated above, Children's Institute, Inc. did not allocate shared program expenditures as required by the Agency's Cost Allocation Plan and/or maintain adequate documentation to support the expenditure allocations.

Children's Institute also did not monitor their subcontractors or require their subcontractors to submit their payroll and other accounting records to support their DMH and DCFS subcontractors' billings as required by Sections A.3.2 and A.4.0 of the Auditor-Controller Contract Accounting and Administration Handbook. Questioned costs totaled \$140,657 (\$97,265 for DMH and \$14,599 for DCFS Family Preservation Programs in FY 2010-11; \$28,793 for DCFS Family Preservation Program in FY 2009-10). In addition, Children's Institute inappropriately recorded \$2,168 of pension refund for a terminated employee as an expense in their DMH FY 2010-11 general ledger.

- *After our review, Children's Institute, Inc. adjusted the terminated employee's pension refund in their accounting records and obtained additional documents from the subcontractors to support their billings of \$140,657 for FY 2010-2011 and FY 2009-2010.*

Recommendation 8:

Ensure subcontractors are monitored to ensure that the expenditures billed were adequately supported by source documentation.

CII Response

Children's Institute, Inc. (CII) has implemented improvements to its sub-contractor monitoring process ensuring adequate support documentation for billed expenditures (e.g., payroll and accounting records), and ensuring all sub-contractors are monitored in accordance with program contractual agreements.

Timeframe

Implemented effective October 1, 2011.

Recommendation 9:

Ensure expenditures are accurately recorded in the Agency's accounting records.

CII Response

Children's Institute, Inc. (CII) will strengthen its quality review of expenditures to programs (e.g., disbursements and journal entries) in order to ensure accuracy of Agency's accounting records and minimize any errors or omissions.

Timeframe

Implemented effective October 1, 2011.

Fixed Assets and Equipment

Objective

Determine whether the Agency's fixed assets and equipment purchases made with County funds are used for the appropriate Programs and are safeguarded. In addition, determine whether fixed asset depreciation costs charged to the DMH and DCFS. Programs were allowable under the County contract, properly documented and accurately billed.

Auditor Controller Results

Children's Institute, Inc. used the equipment and fixed assets purchased with County funds for the DMH and DCFS Programs and the assets were safeguarded. However, as previously indicated above, Children's Institute, Inc. did not allocate depreciation expenses based on equitable basis to benefitting Programs as required.

- *After our review, Children's Institute, Inc. reallocated depreciation costs based on an equitable basis to benefitting programs as required.*

Recommendation (Refer to Recommendation 6)

Ensure that shared expenditures are allowable and are allocated on an equitable basis to all benefitting programs based on actual conditions.

CII Response

Children's Institute, Inc. (CII) will strengthen its quality control and review process in order to assure that allocation of shared expenditures to programs is consistent with the Agency's Cost Allocation Plan procedures, are verified to be allowable, and are allocated on an equitable basis to all benefitting programs based on actual conditions in a program (e.g., actual number of staff, actual personnel cost, or actual square footage utilized).

Timeframe

Effective October 1, 2011.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to DMH and DCFS Programs. In addition, determine whether the Agency had personnel files as required.

Auditor Controller Results

Children's Institute, Inc. appropriately charged payroll expenditures to the DMH and DCFS Programs. In addition, the Agency maintained their personnel files as required by the County contracts.

No Recommendation

COST REPORT

Objective

Determine whether Children's Institute, Inc. (CII)'s Cost Reports for the DMH Programs reconciled to the Agency's accounting records.

Auditor Controller Results

Children's Institute, Inc.'s total expenditures reported on their DMH Cost Reports reconciled to the Agency's accounting records.

No Recommendation

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Auditor Controller Results

CII did not implement two (25%) of the eight recommendations contained in the prior monitoring report. As previously indicated, the outstanding findings are related to Recommendation 1: Ensuring progress notes are completed in accordance with the DMH contract and Recommendation 2: Ensuring that annual informed consent forms are obtained and maintained in the clients' files.

Recommendation 10:

CII's management implements the outstanding recommendations from the prior monitoring report.

CII Response

The recommendations contained in the prior monitoring report were implemented.

- Progress Notes: The QA/QI Team trained staff on the completion of progress notes during the second quarter of FY 08-09. A QI Mandatory Tip was distributed to staff detailing progress note requirements.

- Informed Consent Forms: The psychiatrists were informed of the requirement to maintain current informed consent forms for clients receiving treatment with psychotropic medication during the second quarter of FY 08-09.

CII considers chart documentation training to be an integral component of our DMH contract and as such provides on-going staff training which includes the contract requirements of progress notes and informed consents. As new staff are hired, the QA/QI Team continues to train on chart documentation and review all new staff's chart documentation for 90 days. The QA/QI Team continues to conduct random review chart sampling for all staff and conduct follow up with the psychiatrists for which client informed consent is required.

Timeframe for Implementing Reported Recommendations

- Please see timeframes from Recommendations 1 and 2 contained in this report.